

# Research Bulletin

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## Emergence of Desktop and Network Support Opportunities as User Spending Intentions Change

Desktop services is a major battleground for software support vendors, and competition is set to intensify as the trend towards distributed client/server computing accelerates. However, the complexity of the desktop and networked environments is such that vendors are finding it difficult to anticipate and act upon market opportunities.

Significant opportunities are emerging in the desktop services arena, with users intending to spend more on support over the next three years. The results of a recent INPUT survey of managers with responsibility for Local area network (LAN) installations indicate that:

- Users intend to buy more packaged software products, and expect to spend at least as much on supporting those products in three years time as they do now
- Overall, users expect expenditure on external services and personnel to increase at the expense of staff costs.

### Vendors Face Challenge for Software Product Support Market

INPUT are forecasting a compound annual growth rate (CAGR) of 9% for the software product support market over the period from 1994 to 1999. The PC/Workstation sector of this market, however, is expected to grow at a CAGR of 22%. Research evidence shows that users expect to spend much more on packaged software and associated support in future (see Exhibit 1).

However, equipment vendors looking to capitalise on this trend face a considerable challenge from in-house IT groups and third party suppliers. As shown in Exhibit 2, equipment vendors are currently the principal source of software product support to only 16% of organisations.



Exhibit 1

### Spending on Packaged Software and Support in LAN Installations

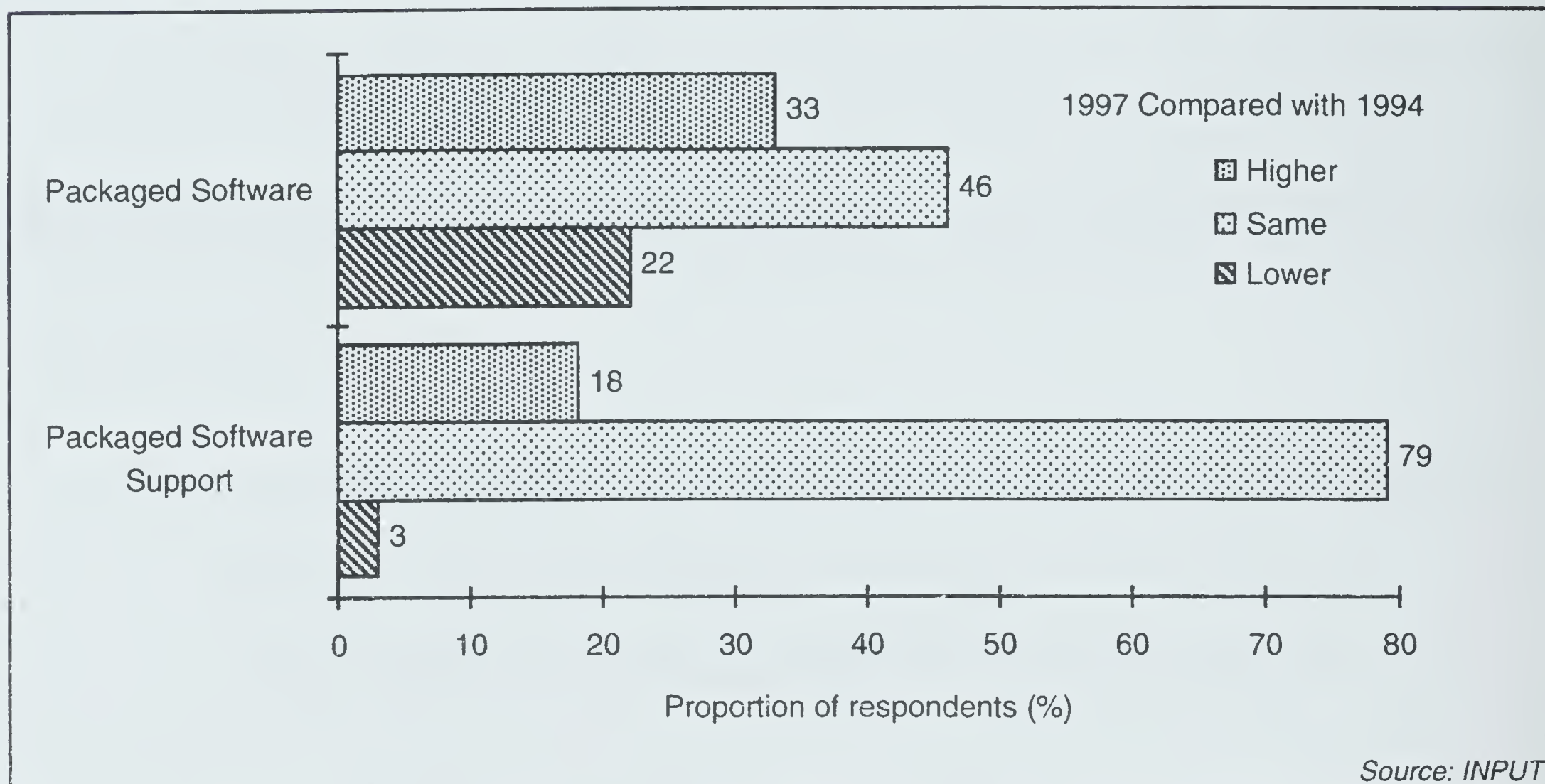
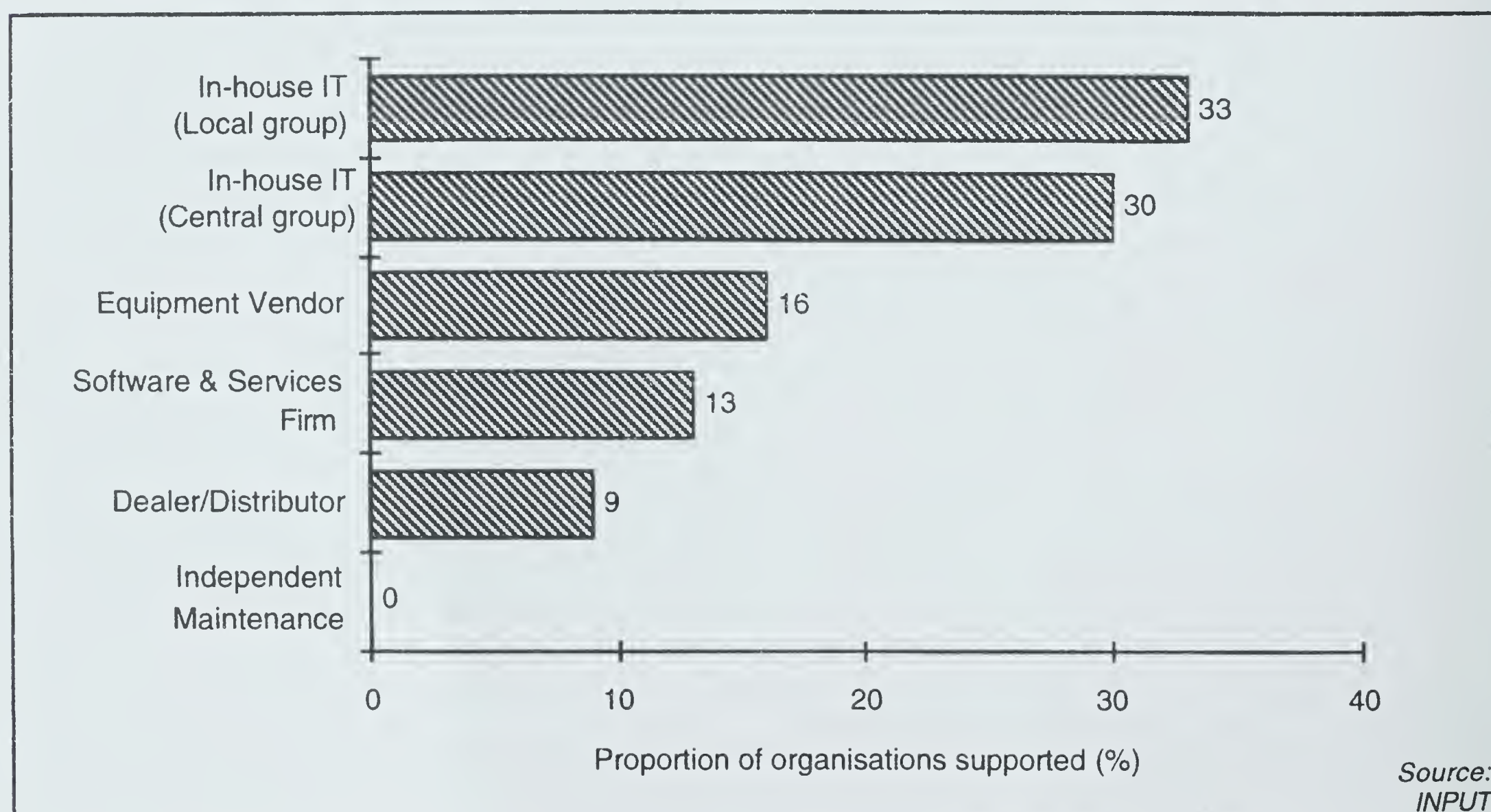


Exhibit 2

### Principal Sources of Software Product Support to LAN Installations in 1994





## Users Look to External Service Providers for Future Support

The biggest single item of IT expenditure for most organisations is staff costs. The recent survey revealed that 38% of the LAN/Desktop budget is accounted for by corporate personnel, and the indications are that organisations are looking to reduce this considerably.

Exhibit 3 shows that 78% of users expect to spend the same or less on internal staff in three years' time. By comparison, 93% of users anticipate spending on external services and staff to be the same or higher.

Organisations are preparing to make quite radical changes in terms of the financing, and physical provision of, IT services. While the

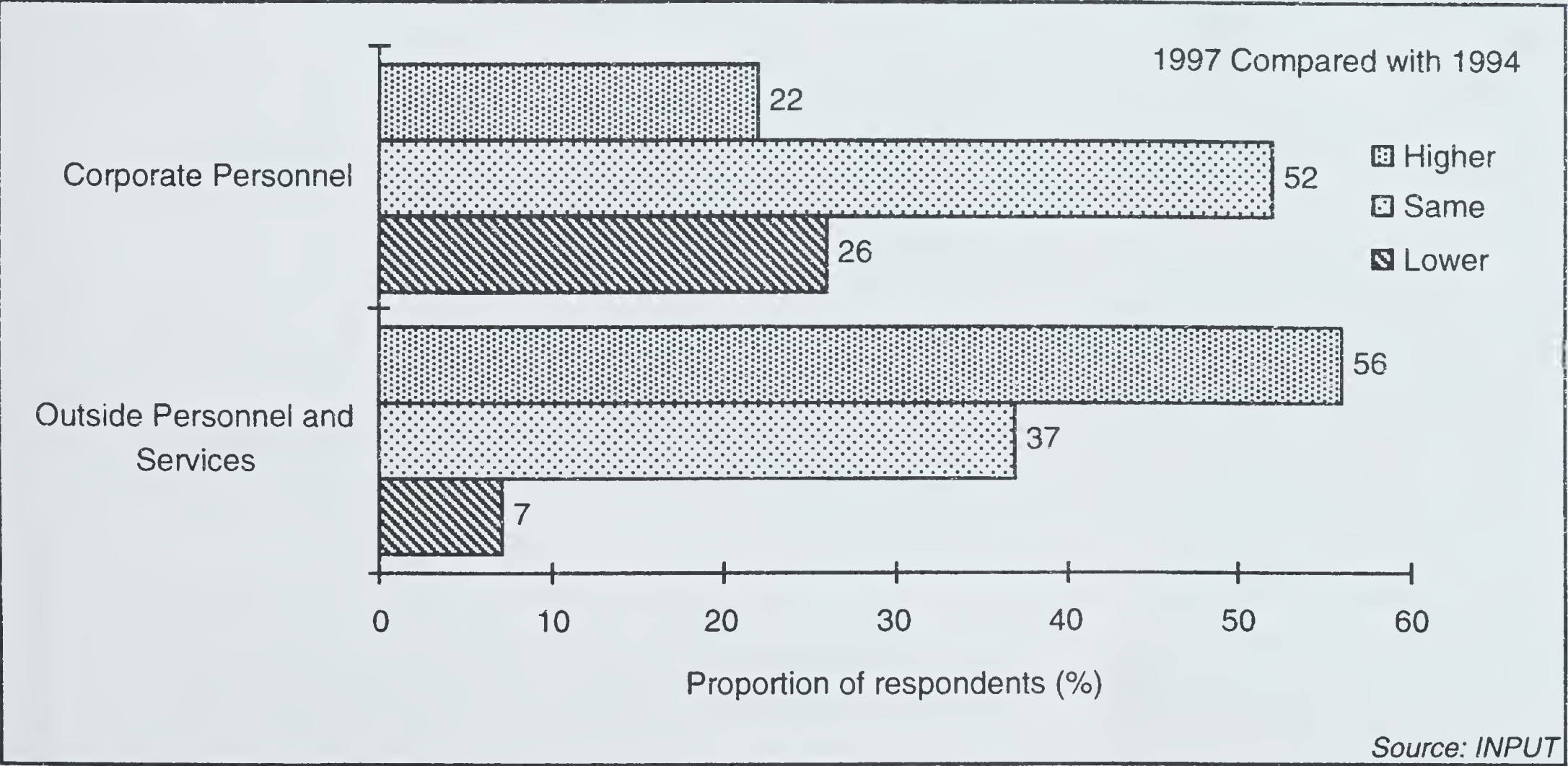
number of companies preparing to outsource their desktop services entirely remains relatively small, the market for partially outsourced services looks set to improve dramatically.

This represents an immediate opportunity for vendors. Success in addressing this growing market will depend on the speed with which service organisations can refocus their attention onto emerging user needs, and their ability to meet the challenge of independent software and services companies.

Vendors can maximise their chances of success by focusing on their core technological competencies, by selectively reskilling and, where necessary, by building strategic alliances.

Exhibit 3

Spending on Personnel for LAN Systems



This Research Bulletin is issued as part of INPUT's Software Product Support Programme–Europe. If you have any questions or comments on this bulletin, please call your local INPUT organisation or Chris Cadman at INPUT, 17 Hill Street, London, W1X 7FB, UK, +44 (0) 71 493 9335.



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  - Forecasts
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- Competitive positioning
- Acquisition targets

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- Peer position

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### INPUT WORLDWIDE

#### Frankfurt

Sudetenstraße 9  
D-35428 Langgöns-  
Niederkleen  
Germany  
Tel. +49 (0) 6447-6005  
Fax +49 (0) 6447-7327

#### London

17 Hill Street  
London W1X 7FB  
England  
Tel. +44 (0) 71 493-9335  
Fax +44 (0) 71 629-0179

#### New York

400 Frank W. Burr Blvd.  
Teaneck, NJ 07666  
U.S.A.  
Tel. 1 (201) 801-0050  
Fax 1 (201) 801-0441

#### Paris

24, avenue du Recteur  
Poincaré  
75016 Paris  
France  
Tel. +33 (1) 46 47 65 65  
Fax +33 (1) 46 47 69 50

#### San Francisco

1881 Landings Drive  
Mountain View  
CA 94043-0848  
U.S.A.  
Tel. 1 (415) 961-3300  
Fax 1 (415) 961-3966

#### Tokyo

Saida Building, 4-6,  
Kanda Sakuma-cho  
Chiyoda-ku, Tokyo 101  
Japan  
Tel. +81 3 3864-0531  
Fax +81 3 3864-4114

#### Washington, D.C.

1953 Gallows Road  
Suite 560  
Vienna, VA 22182  
U.S.A.  
Tel. 1 (703) 847-6870  
Fax 1 (703) 847-6872